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EQUIPMENT DEALERS

1987 COST OF DOING BUSINESS

AGRICULTURAL · INDUSTRIAL · OUTDOOR POWER EQUIPMENT

SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
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FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 9,000 U.S. and Canadian agricultural, industrial and outdoor power equipment dealers. The questionnaires conform to all of the widely-used dealer accounting systems and were designed to secure significant information on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and employee data.

Hundreds of responses were received in the mail survey. In addition, many of the dealers currently using association computer accounting systems were included. Publication of this study is made possible only through the cooperation of dealers and their bookkeepers who furnished comprehensive departmental operating information and the detailed balance sheet and expense breakdowns. Sincere thanks plus a free copy of the results are due those who took time out of busy schedules to compile information for this important project.

Number of members and participants in each of the ten North American regions (identified on front cover) are listed below:

Region	No. of Dealer-Members	No. of Dealer Participants	Percent of Dealer-Member Participation
Northeast	1,064	116	10.90%
Southeast	752	93	12.37
Corn Belt	781	85	10.88
Lake States	816	84	10.30
Northern Plains	873	156	17.87
Middle Plains	896	113	12.61
Southern Plns/Delta	670	126	18.81
Pacific	729	90	12.35
Western Canada	598	77	12.88
Eastern Canada	919	125	13.60
Total	8,098	1,065	13.15

Dealer Participants by Sales Volume Category
(Agricultural Dealers)

Sales Volume	No. of Dealers 1987	Percent of Total				
		1987	1986	1985	1984	1983
$0 to $1 Million	150	17%	22%	19%	22%	19%
$1 Mil to $2 Mil	329	37	34	38	31	31
$2 Mil to $3 Mil	195	22	21	21	22	20
$3 Mill and Over	211	24	23	22	25	30
Total	885	100	100	100	100	100

In addition, 115 industrial dealers and 52 outdoor power dealers responded to the survey.

Combined total retail sales of dealers responding in the survey were in excess of $2,000,000,000.

Separate studies of agricultural, industrial and outdoor power dealers are included. Dealers were classed as agricultural, industrial or outdoor power if 50 percent or more of their equipment sales in the year were these classes of goods.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arrive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated in NFPEDA's own computer.

HIGHLIGHTS
1987 COST OF DOING BUSINESS
North American Agricultural Dealer Averages

The Industry — U.S. and Canada

Dealers had a better year in 1987 than in any of the past five. Net profit on sales (before taxes) of 1.93% compares to the 2.25% net result of the 1981 study. The all-important return on investment this year of 10.55% does not yet compare well to the 15.36% return shown in 1981. But progress has been made!

New and Used Equipment Margins:

Margins on equipment showed continuing improvement, going from 7.09% in 1986 to 7.77% in 1987 on Total New and Used. Turnover of inventory (the number of times inventory is bought and sold during the year) was also better, at 1.81 times this year compared to 1.63 and 1.42 for the preceding two years.

Parts and Service:

On the average, dealers showed increases in sales of both parts and service over the year 1986. The increase for parts was 4.20% and for service, 4.6%. However, margin percentages have again slipped, from the preceding year. For parts, the drop was to 28.21% from the previous year level of 28.82%; and for service, the drop was to 43.73% from 44.09.

Total Operating Margin:

The 1987 margin percentage on total sales was 15.94% compared to 15.75% and 15.70% respectively in the previous two years. The change is hardly noticeable.

Profitability vs. Sales Volume Size:

The pattern of profits relating to sales volume size, showing that the larger the dealers, the better the profits, continued in 1987. Dealers in the sales bracket of $3 million and over showed average profit of 2.21% on sales and a return of 14.67% on investment; while at the other extreme, dealers having total sales of less than $1 million were lowest with 1.40% on sales and 5.31% on investment. Other information on performance by volume size, will be found in the tabulations on page 6.

Profitability vs. Regions

Regions of North America having the best net profit results in 1987 were the Pacific Coast, Eastern Canada and Northeast U.S. The profit figures before taxes for these three regions were: 3.43%, 2.42% and 2.32% of sales respectively.

For return on investment, Eastern Canadian dealers performed the best with 17.04%. Dealers in Pacific Coast region followed with 14.02%; Western Canadians with 11.93% and Northeast (U.S.) dealers with 11.11%.

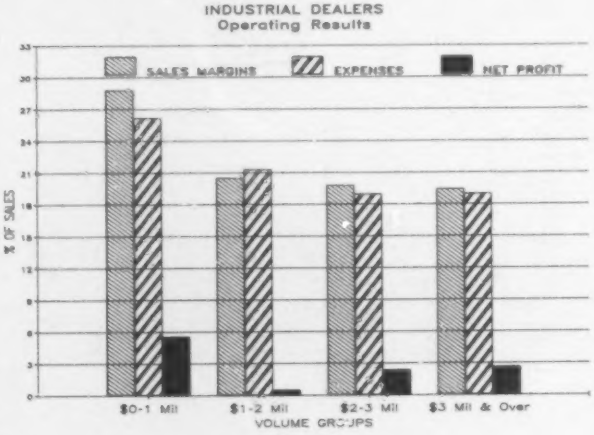
Industrial Dealers

With an increase of 88.5% this year in the number of industrial dealers participating in the Cost of Doing Business, it has become possible to furnish breakdowns by volume group. These studies will be found on page 7.

While there were only 6 dealers having less than $1 million sales volume, the numbers in other volume groups were substantial. Following is the number of reporting dealers broken down by sales volume groups:

$0 to $1 Mil.....	6
$1 Mil to $2 Mil ..	26
$2 Mil to $3 Mil ..	36
Over $3 Mil.....	47
Total.....	115

The Northeast region of the U.S. was most heavily represented in the survey, with 42 responding dealers. Regions ranking second and third were Ohio-Indiana-Kentucky with 17, and Carolinas-Georgia-Florida-Alabama-Deep South, with 15.



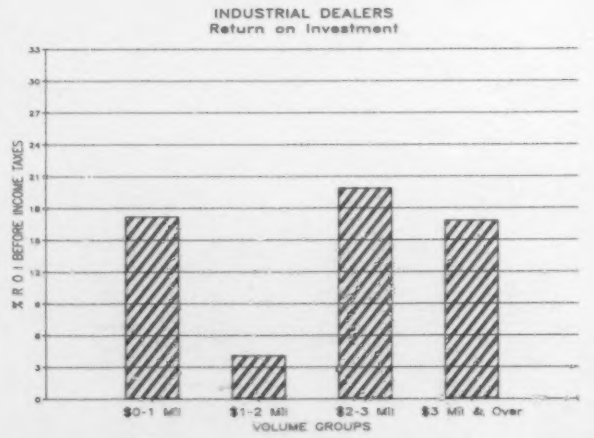


FIG. 1
DEALER TOTAL SALES TRENDS

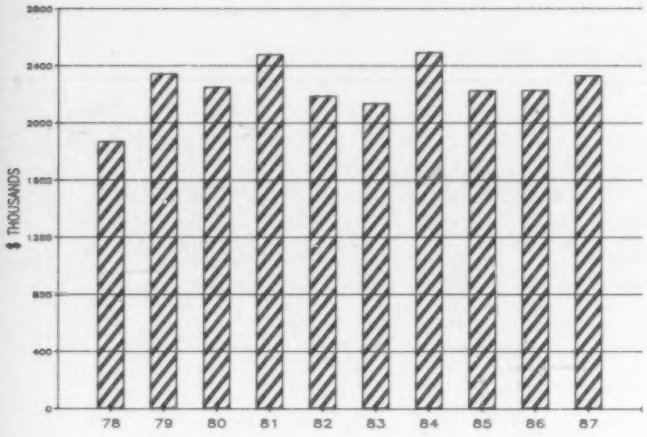


FIG. 2
DEALER MARGIN, EXPENSE & PROFIT TRENDS

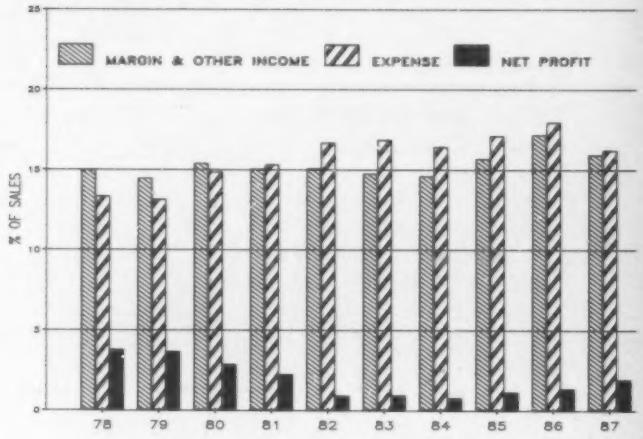


FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

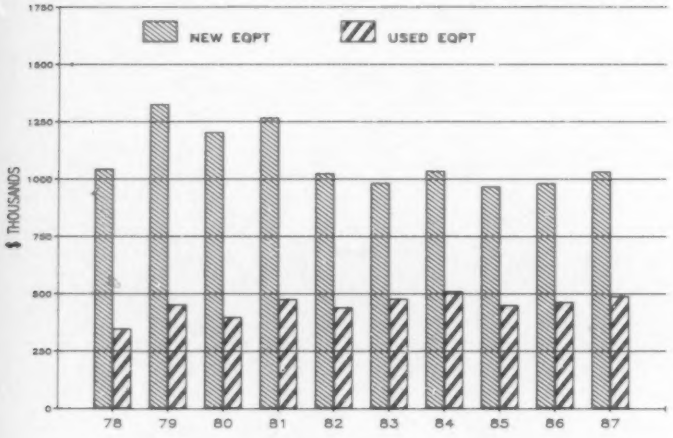


FIG. 4
PARTS-SERVICE-OTHER SALES TRENDS

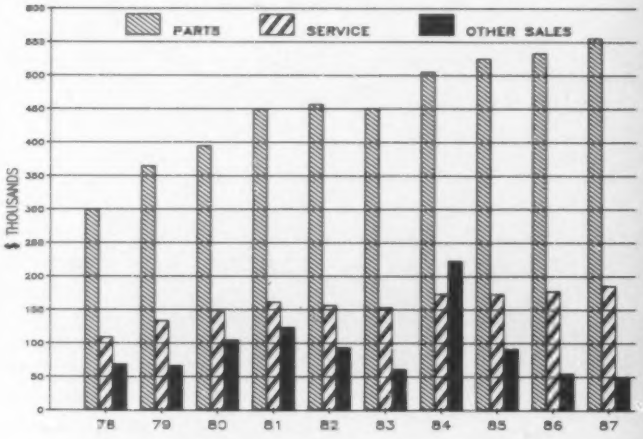


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

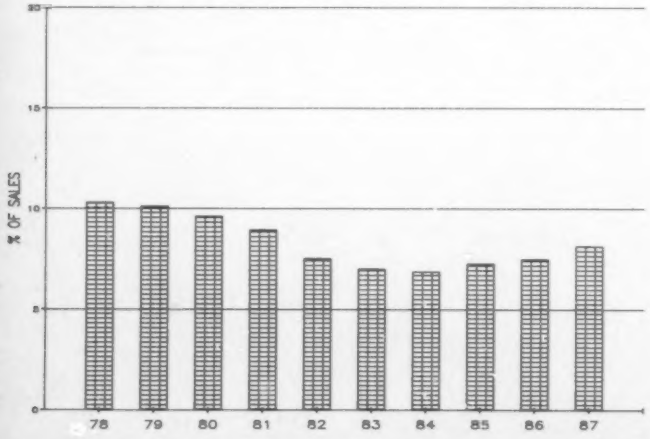
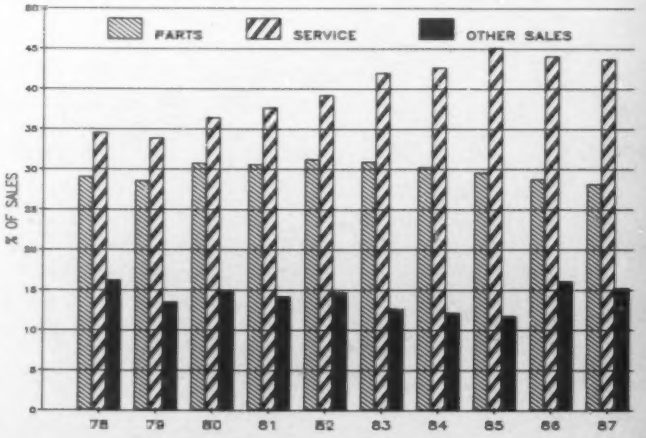


FIG. 6
PARTS-SERVICE-OTHER MARGIN TRENDS



Agricultural Dealer Operations and Balance Sheets
By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3 Mil		VolGrp "D" $3 Mil and Over		National All Dealers	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES										
New Equipment	$ 268,366	38.82	$ 648,227	43.42	$1,111,764	44.78	$2,102,493	45.07	$1,032,820	44.30
Used Equipment	105,524	15.27	262,004	17.55	497,388	20.03	1,116,973	23.94	491,255	21.07
Total New and Used	373,890	54.09	910,231	60.97	1,609,152	64.81	3,219,466	69.02	1,524,075	65.36
Repair Parts	236,756	34.25	426,187	28.55	604,251	24.34	940,873	20.17	556,067	23.85
Service Labor	62,151	8.99	122,507	8.21	206,594	8.32	356,133	7.63	186,524	8.00
Other Lines	13,668	1.98	25,996	1.74	50,749	2.04	111,140	2.38	49,667	2.13
Rental Lease Income	4,772	0.69	8,004	0.54	12,024	0.48	37,200	0.80	15,305	0.66
TOTAL SALES	**691,237**	**100.00**	**1,492,925**	**100.00**	**2,482,770**	**100.00**	**4,664,812**	**100.00**	**2,331,638**	**100.00**
MARGINS										
New Equipment	28,513	10.62	63,137	9.74	96,543	8.68	146,693	6.98	84,558	8.19
Used Equipment	11,013	10.44	21,848	8.34	23,964	4.82	78,211	7.00	33,920	6.90
Total New and Used	**39,526**	**10.57**	**84,985**	**9.34**	**120,507**	**7.49**	**224,904**	**6.99**	**118,478**	**7.77**
Repair Parts	72,369	30.57	122,014	28.63	171,185	28.33	258,009	27.42	156,869	28.21
Service Labor	24,430	39.31	52,367	42.75	90,855	43.98	159,062	44.66	81,559	43.73
Other Lines	2,480	18.14	3,719	14.31	7,114	14.02	17,641	15.87	7,577	15.26
Rental Lease Income	2,859	59.91	4,256	53.17	6,334	52.68	15,528	41.74	7,165	46.81
TOTAL OPERATING MARGIN	**141,664**	**20.49**	**267,341**	**17.91**	**395,995**	**15.95**	**675,144**	**14.47**	**371,648**	**15.94**
EXPENSES										
Salaries — Salesmen	11,653	1.69	23,490	1.57	37,862	1.52	69,134	1.48	35,537	1.52
Travel and Training	1,703	0.25	3,338	0.22	5,017	0.20	10,069	0.22	5,036	0.22
Advertising and Promotion	5,899	0.85	11,546	0.77	16,806	0.68	30,190	0.65	16,194	0.69
After Sales and Warranty Expense	2,250	0.33	7,062	0.47	13,929	0.56	31,839	0.68	13,669	0.59
TOTAL SALES EXPENSE	**21,505**	**3.11**	**45,436**	**3.04**	**73,614**	**2.96**	**141,232**	**3.03**	**70,436**	**3.02**
Salaries — Officers, Owners	15,697	2.27	28,618	1.92	46,110	1.86	72,880	1.56	40,839	1.75
Salaries — Partsmen	15,585	2.25	29,040	1.95	43,045	1.73	64,989	1.39	38,419	1.65
Salaries Office and Others	9,383	1.36	16,611	1.11	23,427	0.94	35,319	0.76	21,349	0.92
Occupancy Expense	15,111	2.19	26,931	1.80	39,194	1.58	61,703	1.32	35,923	1.54
Heat, Light, Power, Water	3,889	0.56	6,840	0.46	9,232	0.37	13,493	0.29	8,454	0.36
Telephone and Telegraph	3,301	0.48	5,833	0.39	8,241	0.33	13,878	0.30	7,853	0.34
Office and Store Expense and Postage	5,946	0.86	11,945	0.80	16,776	0.68	26,232	0.56	15,400	0.66
Shop Supplies and Expense	4,443	0.64	7,503	0.50	9,608	0.39	18,642	0.40	10,105	0.43
Car and Truck Expense	6,657	0.96	13,735	0.92	21,621	0.87	36,859	0.79	19,788	0.85
Taxes — Except Payroll & Real Estate	1,499	0.22	2,675	0.18	3,719	0.15	5,103	0.11	3,285	0.14
Employee Benefits	14,699	2.13	28,172	1.89	44,364	1.79	67,180	1.44	38,760	1.66
Dues and Subscriptions	681	0.10	821	0.05	1,166	0.05	1,471	0.03	1,028	0.04
Insurance — Except Group & R.E.	9,678	1.40	15,402	1.03	20,597	0.83	29,488	0.63	18,936	0.81
Legal and Auditing	1,829	0.26	3,030	0.20	4,374	0.18	6,937	0.15	4,054	0.17
Interest & Bank Chgs. — Except R.E.	9,973	1.44	17,446	1.17	23,880	0.96	39,332	0.84	22,817	0.98
Depreciation	4,916	0.71	9,207	0.62	14,690	0.59	24,845	0.53	13,418	0.58
Bad Debts	2,284	0.33	3,847	0.26	5,762	0.23	10,409	0.22	5,569	0.24
Contributions and Miscellaneous	1,027	0.15	1,650	0.11	2,779	0.11	3,689	0.08	2,279	0.10
TOTAL EXPENSE	**148,103**	**21.43**	**274,742**	**18.40**	**412,199**	**16.60**	**673,681**	**14.44**	**378,712**	**16.24**
NET PROFIT ON SALES	**(6,439)**	**(0.93)**	**(7,401)**	**(0.50)**	**(16,204)**	**(0.65)**	**1,463**	**0.03**	**(7,064)**	**(0.30)**
OTHER INCOME	**16,141**	**2.34**	**32,555**	**2.18**	**58,381**	**2.35**	**101,427**	**2.17**	**51,890**	**2.23**
NET OPERATING PROFIT OR LOSS — BEFORE INCOME TAXES —	**9,702**	**1.40**	**25,154**	**1.68**	**42,177**	**1.70**	**102,890**	**2.21**	**44,826**	**1.92**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS										
Cash and Securities	$ 39,479	7.69	$ 73,667	7.44	$ 95,382	6.40	$ 130,757	5.14	$ 86,273	6.20
Customer Receivables	39,835	7.76	75,065	7.58	132,785	8.91	223,422	8.78	117,195	8.43
Factory Receivables & Other	2,643	0.51	13,367	1.35	25,446	1.71	51,418	2.02	23,286	1.67
TOTAL RECEIVABLE & OTHER	**81,957**	**15.96**	**162,099**	**16.37**	**253,613**	**17.02**	**405,597**	**15.93**	**226,754**	**16.31**
INVENTORIES										
New Equipment	194,674	37.92	407,728	41.18	620,802	41.67	1,054,240	41.41	572,758	41.19
Used Equipment	53,713	10.46	119,680	12.09	197,780	13.28	442,204	17.37	202,629	14.57
Repair Parts	110,979	21.61	174,071	17.58	231,029	15.51	332,605	13.06	213,738	15.37
Other Lines	12,130	2.36	12,317	1.24	24,151	1.62	37,126	1.46	20,810	1.50
Rental or Lease	3,835	0.75	3,721	0.38	6,887	0.46	15,208	0.60	7,177	0.52
TOTAL INVENTORIES	**375,331**	**73.10**	**717,517**	**72.46**	**1,080,649**	**72.54**	**1,881,383**	**73.90**	**1,017,112**	**73.15**
TOTAL CURRENT ASSETS	**457,288**	**89.06**	**879,616**	**88.84**	**1,334,262**	**89.56**	**2,286,980**	**89.83**	**1,243,866**	**89.46**
Fixed Assets	46,447	9.05	90,174	9.11	113,825	7.64	194,594	7.64	112,878	8.12
Finance Reserve and Other Assets	9,705	1.89	20,376	2.06	41,666	2.80	64,303	2.53	33,735	2.43
TOTAL ASSETS	**513,440**	**100.00**	**990,166**	**100.00**	**1,489,753**	**100.00**	**2,545,877**	**100.00**	**1,390,479**	**100.00**
LIABILITIES AND NET WORTH										
Current Accounts Payable and Accruals	35,018		72,451		142,026		259,935		126,151	
Floor Plan Notes Payable	180,567		397,146		669,490		1,208,357		613,919	
Notes Payable — Bank and Other	40,661		64,885		77,095		135,506		80,313	
Long Term Payable	74,461		103,394		154,749		240,722		142,558	
TOTAL LIABILITIES	**330,707**	**64.41**	**637,876**	**64.42**	**1,043,360**	**70.04**	**1,844,520**	**72.45**	**962,941**	**69.25**
Net Worth	182,733	35.59	352,290	35.58	446,393	29.96	701,357	27.55	427,538	30.75
TOTAL LIABILITIES AND NET WORTH	**513,440**		**990,166**		**1,489,753**		**2,545,877**		**1,390,479**	

Industrial Dealer Operations and Balance Sheets
By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3 Mil		VolGrp "D" $3 Mil and Over		National All Dealers	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES										
New Equipment	$ 275,739	34.91	$ 712,258	47.25	$1,154,692	47.20	$2,838,411	53.74	$1,696,933	51.32
Used Equipment	71,107	9.00	225,203	14.94	285,316	11.66	750,563	14.21	450,694	13.63
Total New and Used	**346,846**	**43.91**	**937,461**	**62.19**	**1,440,008**	**58.86**	**3,588,974**	**67.95**	**2,147,627**	**64.95**
Repair Parts	270,900	34.29	312,104	20.70	520,871	21.29	937,219	17.74	630,789	19.08
Service Labor	59,720	7.56	116,424	7.72	233,443	9.54	369,666	7.00	253,597	7.67
Other Lines	23,215	2.94	40,802	2.71	67,738	2.77	47,244	0.89	50,949	1.54
Rental Lease Income	89,238	11.30	100,736	6.68	184,447	7.54	338,599	6.41	223,555	6.76
TOTAL SALES	**789,919**	**100.00**	**1,507,527**	**100.00**	**2,446,507**	**100.00**	**5,281,702**	**100.00**	**3,306,517**	**100.00**
MARGINS										
New Equipment	39,720	14.40	85,693	12.03	134,731	11.67	382,740	13.48	220,047	12.97
Used Equipment	12,368	17.39	34,791	15.45	36,013	12.62	83,363	11.11	53,855	11.95
Total New and Used	**52,088**	**15.02**	**120,484**	**12.85**	**170,744**	**11.86**	**466,103**	**12.99**	**273,902**	**12.75**
Repair Parts	86,362	31.88	96,562	30.94	152,007	29.18	284,811	30.39	190,323	30.17
Service Labor	23,823	39.89	39,693	34.09	107,363	45.99	167,634	45.35	112,338	44.30
Other Lines	2,648	11.41	6,782	16.62	8,349	12.33	5,295	11.21	6,449	12.66
Rental Lease Income	63,106	70.72	45,682	45.35	45,886	24.88	103,188	30.47	70,158	31.38
TOTAL OPERATING MARGIN	**228,027**	**28.87**	**309,203**	**20.51**	**484,349**	**19.80**	**1,027,031**	**19.45**	**653,170**	**19.75**
EXPENSES										
Salaries — Salesmen	16,696	2.11	33,905	2.25	57,296	2.34	132,961	2.52	80,813	2.44
Travel and Training	2,256	0.29	5,825	0.39	8,989	0.37	13,860	0.26	9,913	0.30
Advertising and Promotion	9,401	1.19	12,214	0.81	18,485	0.76	42,184	0.80	26,279	0.79
After Sales and Warranty Expense	438	0.06	7,101	0.47	12,744	0.52	44,931	0.85	23,981	0.73
TOTAL SALES EXPENSE	**28,791**	**3.64**	**59,045**	**3.92**	**97,514**	**3.99**	**233,936**	**4.43**	**140,986**	**4.26**
Salaries — Officers, Owners	42,160	5.34	30,965	2.05	42,267	1.73	109,736	2.08	67,281	2.03
Salaries — Partsmen	18,050	2.29	27,503	1.82	38,206	1.56	81,632	1.55	52,483	1.59
Salaries Office and Others	14,254	1.80	19,590	1.30	24,857	1.02	67,218	1.27	40,426	1.22
Occupancy Expense	18,704	2.37	33,525	2.22	51,731	2.11	76,336	1.45	55,948	1.69
Heat, Light, Power, Water	4,593	0.58	5,025	0.33	8,319	0.34	13,858	0.26	9,644	0.29
Telephone and Telegraph	4,947	0.63	7,601	0.50	12,612	0.52	18,033	0.34	13,295	0.40
Office and Store Expense and Postage	3,448	0.44	13,339	0.88	17,325	0.71	35,561	0.67	23,153	0.70
Shop Supplies and Expense	4,271	0.54	10,470	0.69	11,491	0.47	35,582	0.67	20,729	0.63
Car and Truck Expense	7,989	1.01	17,189	1.14	25,301	1.03	42,921	0.81	29,765	0.90
Taxes — Except Payroll & Real Estate	1,857	0.24	2,572	0.17	3,738	0.15	10,633	0.20	6,194	0.19
Employee Benefits	19,932	2.52	28,414	1.88	46,602	1.90	106,229	2.01	65,467	1.98
Dues and Subscriptions	524	0.07	834	0.06	1,242	0.05	3,046	0.06	1,850	0.06
Insurance — Except Group & R.E.	11,563	1.46	16,543	1.10	20,817	0.85	48,874	0.93	30,835	0.93
Legal and Auditing	3,093	0.39	3,367	0.22	4,814	0.20	9,793	0.19	6,432	0.19
Interest & Bank Chgs — Except R.E.	10,316	1.31	18,007	1.19	27,352	1.12	60,849	1.15	38,040	1.15
Depreciation	6,412	0.81	19,414	1.29	20,250	0.83	36,592	0.69	26,018	0.79
Bad Debts	3,887	0.49	6,817	0.45	7,291	0.30	8,929	0.17	7,676	0.23
Contributions and Miscellaneous	2,041	0.26	1,074	0.07	2,862	0.12	4,120	0.08	2,929	0.09
TOTAL EXPENSE	**206,832**	**26.18**	**321,294**	**21.31**	**464,591**	**18.99**	**1,003,878**	**19.01**	**639,151**	**19.33**
NET PROFIT ON SALES	**21,195**	**2.68**	**(12,091)**	**(0.80)**	**19,758**	**0.81**	**23,153**	**0.44**	**14,019**	**0.42**
OTHER INCOME	**22,830**	**2.89**	**19,752**	**1.31**	**38,686**	**1.58**	**116,968**	**2.21**	**65,571**	**1.98**
NET OPERATING PROFIT OR LOSS — BEFORE INCOME TAXES —	**44,025**	**5.57**	**7,661**	**0.51**	**58,444**	**2.39**	**140,121**	**2.65**	**79,590**	**2.41**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS										
Cash and Securities	$ 65,312	15.28	$ 71,528	8.12	$ 44,154	3.00	$ 126,460	4.07	$ 85,085	4.36
Customer Receivables	52,854	12.36	93,059	10.57	171,119	11.61	364,963	11.75	226,523	11.60
Factory & Other Receivables	396	0.09	11,855	1.35	16,536	1.12	21,610	0.70	16,709	0.86
TOTAL	**118,562**	**27.73**	**176,442**	**20.04**	**231,809**	**15.73**	**513,033**	**16.52**	**328,317**	**16.82**
INVENTORIES										
New Equipment	114,706	26.83	347,265	39.44	655,731	44.49	1,496,434	48.17	901,355	46.17
Used Equipment	25,796	6.03	93,583	10.63	142,391	9.66	283,933	9.14	183,121	9.38
Repair Parts	80,183	18.76	110,636	12.56	153,329	10.40	278,087	8.95	190,848	9.78
Other Lines	1,998	0.47	13,365	1.52	22,746	1.54	76,178	2.45	41,380	2.12
Rental or Lease	72,429	16.94	46,701	5.30	129,439	8.78	144,282	4.64	113,825	5.83
TOTAL INVENTORIES	**295,112**	**69.03**	**611,550**	**69.45**	**1,103,636**	**74.89**	**2,278,914**	**73.36**	**1,430,529**	**73.27**
TOTAL CURRENT ASSETS	**413,674**	**96.76**	**787,992**	**89.49**	**1,335,445**	**90.62**	**2,791,947**	**89.88**	**1,758,846**	**90.09**
Fixed Assets	10,770	2.52	72,814	8.27	101,608	6.89	223,594	7.20	140,214	7.18
Finance Reserve and Other Assets	3,068	0.72	19,747	2.24	36,682	2.49	90,815	2.92	53,223	2.73
TOTAL ASSETS	**427,512**	**100.00**	**880,553**	**100.00**	**1,473,735**	**100.00**	**3,106,356**	**100.00**	**1,952,283**	**100.00**
LIABILITIES AND NET WORTH										
Current Accounts Payable and Accruals	16,589		71,354		247,327		336,152		231,806	
Floor Plan Notes Payable	53,197		415,914		623,783		1,622,751		955,291	
Notes Payable — Bank and Other	79,062		113,830		88,298		172,063		127,823	
Mortgages and Other Long Term	23,013		84,681		220,658		143,317		147,994	
TOTAL LIABILITIES	**171,861**	**40.20**	**685,779**	**77.88**	**1,180,066**	**80.07**	**2,274,283**	**73.21**	**1,462,914**	**74.93**
Net Worth	255,651	59.80	194,774	22.12	293,669	19.93	832,073	26.79	489,369	25.07
TOTAL LIABILITIES AND NET WORTH	**427,512**		**880,553**		**1,473,735**		**3,106,356**		**1,952,283**	

Agricultural Dealers
Employee and Service Data/Inventory Turns/Fixed Assets — By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3 Mil		VolGrp "D" $3 Mil and Over		National All Dealers	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
EMPLOYEE AND SERVICE SHOP DATA										
No. of Employees*	6.60		10.00		13.10		19.10		12.40	
Sales per Employee	104,732		149,292		189,524		244,230		188,035	
Assets per Employee	77,793		99,016		113,721		133,291		112,135	
No. of Salesmen*	1.80		2.30		3.00		4.10		2.80	
New & Used Sales per S/M	207,716		395,752		536,385		785,235		544,312	
No. of Partsmen	1.20		1.80		2.20		3.20		2.10	
Parts Sales per P/M	197,296		236,770		274,659		294,022		264,793	
No. of Servicemen	2.50		4.20		5.90		9.10		5.50	
Service Sales per Sv/M	24,860		29,168		35,015		39,135		33,913	
No. of Office Employees	0.90		1.30		1.60		2.00		1.50	
No. of Other Employees	0.20		0.40		0.40		0.70		0.50	
Hourly Wage — Top Mech.	7.93		8.45		9.20		10.55		9.05	
Hourly Wage — Regular Mech.	6.43		6.74		7.21		8.11		7.13	
Hourly Customer Svc Rate	23.30		24.58		25.83		27.85		25.46	
INVENTORIES — TIMES TURNOVER	**Times Turn**		**Times Turn**		**Times Turn**		**Times Turn**		**Times Turn**	
New Equipment	1.23		1.44		1.64		1.86		1.66	
Used Equipment	1.76		2.01		2.39		2.35		2.26	
Repair Parts	1.48		1.75		1.87		2.05		1.87	
Other Lines	0.92		1.81		1.81		2.52		2.02	
Rent/Lease Eqpt.	0.50		1.01		0.83		1.43		1.13	
Total Inventory	**1.36**		**1.61**		**1.82**		**2.02**		**1.82**	
FIXED ASSETS**										
Land and Buildings	38,224		92,642		108,185		156,099		102,594	
Leasehold Improvements	4,254		6,929		11,074		15,572		9,462	
Shop and Office Eqpt.	24,547		40,929		42,270		74,494		46,581	
Furniture & Fixtures	13,631		25,577		33,760		48,229		30,864	
Cars/Trucks/Vehicles	39,124		70,076		86,534		133,912		83,933	
Reserve for Depreciation	(75,429)		(146,462)		(173,358)		(252,661)		(166,398)	
NET FIXED ASSETS	**44,351**		**89,691**		**108,465**		**175,645**		**107,036**	

Industrial Dealers
Employee and Service Data/Inventory Turns/Fixed Assets — By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3 Mil		VolGrp "D" $3 Mil and Over		National All Dealers	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
EMPLOYEE AND SERVICE SHOP DATA										
No. of Employees*	7.30		8.50		13.40		22.50		16.00	
Sales per Employee	108,208		177,356		182,575		234,742		206,657	
Assets per Employee	58,563		103,594		109,980		138,060		122,017	
No. of Salesmen*	2.80		2.30		3.60		5.40		4.10	
New & Used Sales per S/M	123,873		407,591		400,002		664,624		523,811	
No. of Partsmen	0.90		1.40		2.10		3.70		2.60	
Parts Sales per P/M	301,000		222,931		248,033		253,302		242,611	
No. of Servicemen	2.40		3.00		5.60		9.60		6.60	
Service Sales per Sv/M	24,883		38,808		41,686		38,506		38,423	
No. of Office Employees	1.20		1.40		1.70		3.10		2.20	
No. of Other Employees	0.00		0.40		0.40		0.70		0.50	
Hourly Wage — Top Mech.	9.38		9.89		10.51		11.28		10.68	
Hourly Wage — Regular Mech.	8.44		7.42		8.15		8.74		8.28	
Hourly Customer Svc Rate	26.75		30.82		32.15		33.22		32.14	
INVENTORIES — TIMES TURNOVER	**Times Turn**		**Times Turn**		**Times Turn**		**Times Turn**		**Times Turn**	
New Equipment	2.06		1.80		1.56		1.64		1.64	
Used Equipment	2.28		2.03		1.75		2.35		2.17	
Repair Parts	2.30		1.95		2.41		2.35		2.31	
Other Lines	10.29		2.55		2.61		0.55		1.08	
Rent/Lease Eqpt.	0.36		1.18		1.07		1.63		1.35	
Total Inventory	**1.78**		**1.84**		**1.66**		**1.78**		**1.76**	
FIXED ASSETS**										
Land and Buildings	0		74,878		20,833		117,487		74,163	
Leasehold Improvements	5,518		10,910		9,441		45,673		26,450	
Shop and Office Eqpt.	8,376		23,846		43,140		66,692		49,985	
Furniture & Fixtures	5,251		25,526		37,255		61,530		45,756	
Cars/Trucks/Vehicles	21,302		60,668		73,419		160,697		110,545	
Reserve for Depreciation	(28,295)		(88,346)		(114,926)		(263,500)		(177,382)	
NET FIXED ASSETS	**12,152**		**107,482**		**69,162**		**188,579**		**129,517**	

*Includes Owners

**Values given for fixed assets are straight averages for all reporting dealers, including both real estate owners and renters. Since owners and renters are approximately equal in number, multiply all given values by two to state the real values of Land and Buildings of owners. For same reason, multiply all given values of Leasehold Improvements by two to state the real values of those who rent the real estate.

Operating and Financial Data
Outdoor Power Equipment Dealers

	AVERAGE Amount	AVERAGE % Sales	HIGH PROFIT Amount	HIGH PROFIT % Sales
SALES				
New Equipment	$ 861,826	53.23	$ 389,827	55.32
Used Equipment	196,038	12.11	72,815	10.33
Total New and Used	1,057,864	65.34	462,642	65.65
Repair Parts	358,980	22.17	166,164	23.58
Service Labor	129,291	7.99	66,234	9.40
Other Lines	66,971	4.14	6,351	0.90
Rental Lease Income	5,911	0.37	3,293	0.47
TOTAL SALES	**1,619,017**	**100.00**	**740,684**	**100.00**
MARGINS				
New Equipment	116,621	13.53	64,666	16.59
Used Equipment	16,640	8.49	8,635	11.86
Total New and Used	133,261	12.60	73,301	15.84
Repair Parts	101,119	28.17	52,008	31.30
Service Labor	56,465	43.67	30,253	45.68
Other Lines	10,507	15.69	2,182	34.36
Rental Lease Income	4,510	76.30	2,541	77.16
TOTAL OPERATING MARGIN	**305,862**	**18.89**	**160,285**	**22.75**
EXPENSES				
Salaries — Salesmen	36,150	2.23	10,405	1.48
Travel and Training	2,994	0.18	1,308	0.19
Advertising and Promotion	19,078	1.18	9,825	1.39
After Sales and Warranty Expenses	7,636	0.47	1,535	0.22
TOTAL SALES EXPENSE	**65,858**	**4.07**	**23,073**	**3.27**
Salaries — Officers, Owners	31,213	1.93	13,871	1.97
Salaries Partsmen	30,353	1.87	13,549	1.92
Salaries Office and Others	18,996	1.17	9,641	1.37
Occupancy Expense	30,927	1.91	18,017	2.56
Heat, Light, Power, Water	6,387	0.39	3,782	0.54
Telephone and Telegraph	7,015	0.43	3,192	0.45
Office and Store Expense	11,334	0.70	5,067	0.72
Shop Supplies and Expense	6,557	0.40	3,740	0.53
Car and Truck Expense	14,793	0.91	6,487	0.92
Taxes — Except Payroll & R.E.	1,802	0.11	1,046	0.15
Employee Benefits	32,613	2.01	13,695	1.94
Dues and Subscriptions	640	0.04	389	0.06
Insurance — Except Group & R.E.	16,525	1.02	9,710	1.38
Legal and Auditing	3,271	0.20	2,009	0.29
Interest & Bank Chgs — Except R.E.	19,611	1.21	3,743	0.53
Depreciation	11,386	0.70	4,515	0.64
Bad Debts	3,882	0.24	813	0.12
Contributions and Miscellaneous	1,046	0.06	710	0.10
TOTAL EXPENSE	**314,209**	**19.41**	**137,049**	**19.45**
NET PROFIT ON SALES	**(8,347)**	**(0.52)**	**23,236**	**3.30**
OTHER INCOME	**27,431**	**1.69**	**11,391**	**1.62**
NET OPERATING PROFIT OR LOSS BEFORE TAXES —	**19,084**	**1.18**	**34,627**	**4.91**

	ALL DEALERS	HIGH PROFIT
EMPLOYEE AND SERVICE SHOP DATA		
No. of Employees*	10.80	6.20
Sales per Employee	149,908	113,658
Assets per Employee	85,186	67,311
No. of Salesmen*	3.10	1.70
New & Used Sales per S/M.	341,246	272,142
No. of Partsmen	1.70	0.90
Parts Sales per P/M	211,164	184,626
No. of Servicemen	4.30	2.40
Service Sales per Sv/M	30,067	27,597
No. of Office Employees	1.40	0.90
No. of Other Employees	0.30	0.30
Hourly Wage-Top Mech.	8.47	7.70
Hourly Wage-Regular Mech.	6.99	6.31
Hourly Customer Svc Rate	25.57	24.56
	TIMES TURN	**TIMES TURN**
INVENTORIES		
New Equipment	1.69	1.54
Used Equipment	3.14	1.91
Repair Parts	1.97	1.98
Other Lines	2.47	0.80
Rental or Lease	0.17	0.00
TOTAL INVENTORIES	**1.88**	**1.66**
	ALL DEALERS	**HIGH PROFIT**
FIXED ASSETS**		
Land and Buildings	95,858	39,798
Leasehold Improvements	7,307	162
Shop and Office Eqpt.	32,059	22,238
Furniture & Fixtures	31,818	11,360
Cars/Trucks/Vehicles	64,423	41,694
Reserve for Depreciation	(129,429)	(83,073)
NET FIXED ASSETS	**102,036**	**32,179**

***Includes Owners**

****See footnote at bottom of page 7**

	Amount	% of Total Assets	Turn-Over	Amount	% of Total Assets	Turn-Over
ASSETS						
Cash and Securities	54,995	5.98		45,166	10.82	
Customer Receivables	85,836	9.33		27,198	6.52	
Factory & Other Receivables	6,012	0.65		6,036	1.45	
TOTAL	**146,843**	**15.96**		**78,400**	**18.79**	
INVENTORIES						
New Equipment	441,540	47.99	1.69	210,756	50.50	1.54
Used Equipment	57,050	6.20	3.14	33,611	8.05	1.91
Repair Parts	131,188	14.26	1.97	57,778	13.84	1.98
Other Lines	22,888	2.49	2.47	5,197	1.25	0.80
Rental or Lease	8,254	0.90	0.17	0	0.00	0.00
TOTAL INVENTORIES	**660,920**	**71.84**	**1.88**	**307,342**	**73.64**	**1.66**
TOTAL CURRENT ASSETS	**807,763**	**87.80**		**385,742**	**92.43**	
Fixed Assets	90,623	9.85		29,214	7.00	
Finance Reserve and Other Assets	21,629	2.35		2,378	0.57	
TOTAL ASSETS	**920,015**	**100.00**		**417,334**	**100.00**	
LIABILITIES AND NET WORTH						
Current Accounts Pay. and Accr.	98,278			15,600		
Floor Plan Notes Payable	389,641			165,876		
Notes Payable — Bank and Other	55,368			14,835		
Mortgages and Other Long Term	95,014			13,063		
TOTAL LIABILITIES	**638,301**	**69.38**		**209,374**	**50.17**	
Net Worth	281,714	30.62		207,960	49.83	
TOTAL LIAB. & NET WORTH	**920,015**			**417,334**		

REACHING FOR EXCELLENCE IN PROFITABILITY
A Study of Successful Dealers of 1987

Successful Dealers — Who are They?

This past year was a good one for a change. More dealers than ever since 1980, have been able to make 5% on sales and upwards of 25% on investment to become the most "Successful Dealers" of 1987.

Reports made by these dealers for the 1987 Cost of Doing Business were selected out for special study and analysis. Their secrets to success will be found in the common size Operating Statement and Balance Sheet for these Successful Dealers, which appear in the regional tabulations to be found on the next four pages.

If you are not one of the "trend-setters" (High-Profit Dealers) yourself, this study can be of great benefit to you in providing new goals worth reaching for — in Margins, Expenses and Profit. It may be correct to assume that not everyone can achieve High-Profit status, but somehow, better than one out of every six dealers are regularly making 5% on sales and upwards of 25% on investment.

One of the great benefits that can come out of a study of this kind is the help it can provide in setting new goals for your dealership. The figures for "Successful Dealers of 1987" are worth your careful study, with an eye for how these dealers managed to put together the components of high profits, namely high margins and low expenses. Clues may be found in the departmental operations and in the detail of expenses in the enclosed Operating exhibits.

Where are They?

The "Successful Dealers" are genuine farm equipment dealers. They are composed of dealers of every size, handling every major brand, and situated in every area and region of all North America. They are in your area, too, and you may be one of these "Successful Dealers of 1987".

The density of population of these "Successful Dealers" throughout the U.S. and Canada, varies from region to region. Many factors may have been at work in determining this density — but the differences in agricultural economy of the areas would be major.

Regions of North America that have the greatest density of "Successful Dealers of 1987" as determined from returns in the Cost of Doing Business, are the following:

	Successful Dealers Per 100 Dealers
Pacific Coast.....	27½
Corn Belt.....	22½
Eastern Canada.....	20½
Western Canada	20

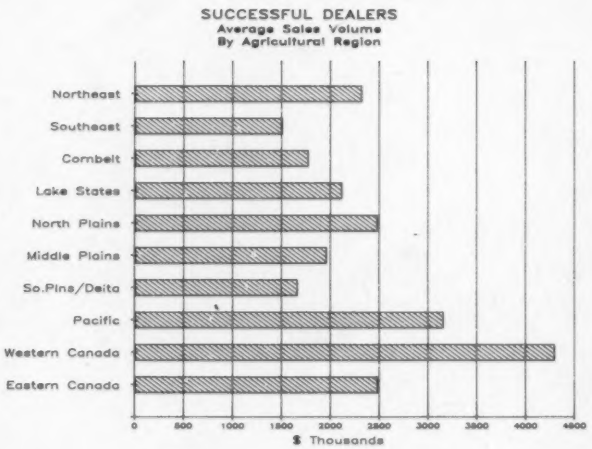
In the remainder of North America, except for the Southern Plains Region, approximately one out of every six dealers ranks as a "Successful Dealer" in 1987. Among the dealers in the Southern Plains, plagued by drought and depression, one in twenty dealers is shown to achieve "Successful Dealer" status.

The Factor of Economy of Scale

Observations made in recent Cost of Doing Business Studies indicate that larger dealers tend to be more profitable than smaller dealers. "Economy of scale" works this way: All dealers have certain fixed costs, rent or occupancy being one good example. As sales volume rises, the ratio of fixed costs to sales goes down, as more volume is done on the same overhead. It follows, therefore, that the larger the dealer, the lower the percentage of margin required to cover overhead and leave a profit.

Because of economy of scale, the operating scheme of every dealer should include constant effort toward growth in sales volume, but not with the sacrifice of profits. Equal effort must be applied to controlling overhead and margins in every business strategy.

As you study the enclosed materials, bear in mind that SUCCESSFUL DEALERS ARE TO BE FOUND IN EVERY GEOGRAPHIC AREA THROUGHOUT NORTH AMERICA AND ARE NOT NECESSARY LARGE DEALERS! And they did not just "happen" in 1987 — they were around in 1985 and 1986 as well. Study the "high profit" results presented herein. You may be glad you did!



SUCCESSFUL DEALERS OF 1987

Agricultural Dealer Operations and Balance Sheets By Region

	North-East		South-East		Corn Belt		Lake States	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	$1,268,293	55.32	$ 693,321	45.85	$ 775,508	43.62	$ 855,748	40.31
Used Equipment	374,864	16.12	190,603	12.60	394,260	22.18	401,430	18.91
Total New and Used	**1,661,157**	**71.45**	**883,924**	**58.45**	**1,169,768**	**65.80**	**1,257,178**	**59.22**
Repair Parts	463,729	19.95	486,787	32.19	448,838	25.25	536,210	25.26
Service Labor	183,340	7.89	102,084	6.75	147,825	8.32	211,844	9.98
Other Lines	7,390	0.32	37,986	2.51	8,520	0.48	107,373	5.06
Rental Lease Income	9,370	0.40	1,485	0.10	2,853	0.16	10,402	0.49
TOTAL SALES	**2,324,986**	**100.00**	**1,512,266**	**100.00**	**1,777,804**	**100.00**	**2,123,007**	**100.00**
MARGINS								
New Equipment	168,402	13.09	81,048	11.69	76,259	9.83	68,534	8.01
Used Equipment	44,629	11.91	20,919	10.98	47,988	12.17	60,620	15.10
Total New and Used	**213,031**	**12.82**	**101,967**	**11.54**	**124,247**	**10.62**	**129,154**	**10.27**
Repair Parts	141,676	30.55	144,480	29.68	139,611	31.10	150,516	28.07
Service Labor	87,342	47.64	48,983	47.98	71,528	48.39	100,635	47.50
Other Lines	3,915	52.98	7,359	19.37	2,847	33.42	18,302	17.05
Rental Lease Income	5,872	62.67	1,108	74.61	1,359	47.63	4,535	43.60
TOTAL OPERATING MARGIN	**451,836**	**19.43**	**303,897**	**20.10**	**339,592**	**19.10**	**403,142**	**18.99**
EXPENSES								
Salaries — Salesmen	33,044	1.42	20,544	1.36	25,430	1.43	34,977	1.65
Travel and Training	3,822	0.16	3,201	0.21	2,775	0.16	4,412	0.21
Advertising and Promotion	19,567	0.84	9,144	0.60	11,299	0.64	15,472	0.73
After Sales and Warranty Expense	13,656	0.59	4,804	0.32	6,933	0.39	10,185	0.48
TOTAL SALES EXPENSE	**70,089**	**3.01**	**37,693**	**2.49**	**46,437**	**2.61**	**65,046**	**3.06**
Salaries — Officers, Owners	39,653	1.71	30,943	2.05	27,571	1.55	37,584	1.77
Salaries — Partsmen	33,235	1.43	31,489	2.08	27,880	1.57	41,845	1.97
Salaries Office and Others	25,342	1.09	15,372	1.02	17,232	0.97	17,089	0.80
Occupancy Expense	31,255	1.34	24,511	1.62	23,340	1.31	21,584	1.02
Heat, Light, Power, Water	7,128	0.31	6,833	0.45	7,425	0.42	7,511	0.35
Telephone and Telegraph	7,065	0.30	5,918	0.39	5,420	0.30	7,465	0.35
Office and Store Expense and Postage	16,455	0.71	12,398	0.82	10,576	0.59	13,017	0.61
Shop Supplies and Expense	7,820	0.34	7,712	0.51	7,841	0.44	9,768	0.46
Car and Truck Expense	18,197	0.78	11,254	0.74	14,093	0.79	19,210	0.90
Taxes — Except Payroll & Real Estate	4,372	0.19	4,494	0.30	2,108	0.12	1,008	0.05
Employee Benefits	52,198	2.25	29,171	1.93	29,847	1.68	42,904	2.02
Dues and Subscriptions	555	0.02	725	0.05	627	0.04	848	0.04
Insurance — Except Group & R.E.	13,169	0.57	15,627	1.03	15,453	0.87	17,977	0.85
Legal and Auditing	2,938	0.13	2,124	0.14	2,455	0.14	3,470	0.16
Interest & Bank Chgs — Except R.E.	8,364	0.36	7,103	0.47	12,368	0.70	17,392	0.82
Depreciation	11,159	0.48	10,467	0.69	9,344	0.53	14,755	0.70
Bad Debts	5,380	0.23	3,425	0.23	2,998	0.17	4,993	0.24
Contributions and Miscellaneous	2,142	0.09	2,431	0.16	1,651	0.09	2,774	0.13
TOTAL EXPENSE	**356,516**	**15.33**	**259,690**	**17.17**	**264,666**	**14.98**	**346,240**	**16.31**
NET PROFIT ON SALES	**95,320**	**4.10**	**44,207**	**2.92**	**74,926**	**4.21**	**56,902**	**2.68**
OTHER INCOME	**53,927**	**2.32**	**22,710**	**1.50**	**26,588**	**1.50**	**23,421**	**1.10**
NET OPERATING PROFIT OR LOSS — BEFORE INCOME TAXES —	**149,247**	**6.42**	**66,917**	**4.42**	**101,514**	**5.71**	**80,323**	**3.78**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$ 196,609	14.45	$ 107,445	10.62	$ 93,645	10.83	$ 132,864	10.66
Customer Receivables	118,178	8.68	106,542	10.53	52,860	6.11	77,558	6.22
Factory & Other Receivables	14,585	1.07	10,793	1.07	5,968	0.69	3,661	0.29
TOTAL	**329,372**	**24.20**	**224,780**	**22.22**	**152,473**	**17.64**	**214,083**	**17.17**
INVENTORIES								
New Equipment	652,196	47.92	427,076	42.21	293,341	33.93	518,630	41.60
Used Equipment	108,636	7.98	65,980	6.52	132,987	15.38	136,390	10.94
Repair Parts	146,808	10.79	169,451	16.75	163,801	18.95	243,490	19.53
Other Lines	2,930	0.22	37,128	3.67	7,215	0.83	11,474	0.92
Rental or Lease	4,096	0.30	2,690	0.27	7,642	0.88	813	0.07
TOTAL INVENTORIES	**914,666**	**67.21**	**702,325**	**69.42**	**604,986**	**69.97**	**910,797**	**73.06**
TOTAL CURRENT ASSETS	**1,244,038**	**91.41**	**927,105**	**91.63**	**757,459**	**87.61**	**1,124,880**	**90.23**
Fixed Assets	79,899	5.87	70,113	6.93	94,337	10.91	98,463	7.90
Finance Reserve and Other Assets	37,047	2.72	14,540	1.44	12,787	1.48	23,294	1.87
TOTAL ASSETS	**1,360,984**	**100.00**	**1,011,758**	**100.00**	**864,583**	**100.00**	**1,246,637**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	72,968		61,880		66,456		73,585	
Floor Plan Notes Payable	557,462		435,016		336,589		603,657	
Notes Payable — Bank and Other	13,498		64,749		28,349		24,017	
Mortgage and Other Long Term	80,751		107,321		94,557		102,085	
TOTAL LIABILITIES	**724,679**	**53.25**	**668,966**	**66.12**	**525,951**	**60.83**	**803,344**	**64.44**
Net Worth	636,305	46.75	342,792	33.88	338,632	39.17	443,293	35.56
TOTAL LIABILITIES AND NET WORTH	**1,360,984**		**1,011,758**		**864,583**		**1,246,637**	

SUCCESSFUL DEALERS OF 1987

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$1,075,908	43.30	$ 803,598	40.87	$ 711,874	42.66	$1,473,460	46.60	$1,920,945	44.64	$1,289,423	51.84
515,694	20.75	493,414	25.09	224,558	13.46	271,049	8.57	1,254,841	29.16	470,512	18.92
1,591,602	**64.05**	**1,297,012**	**65.96**	**936,432**	**56.12**	**1,744,509**	**55.18**	**3,175,786**	**73.80**	**1,759,935**	**70.75**
657,428	26.46	497,615	25.31	607,085	36.38	706,556	22.35	748,633	17.40	537,957	21.63
209,559	8.43	162,417	8.26	104,676	6.27	356,861	11.29	299,319	6.96	174,218	7.00
13,491	0.54	3,474	0.18	5,957	0.36	254,697	8.06	76,406	1.78	6,298	0.25
12,853	0.52	5,755	0.29	14,399	0.86	99,016	3.13	3,074	0.07	8,984	0.36
2,484,933	**100.00**	**1,966,273**	**100.00**	**1,668,549**	**100.00**	**3,161,639**	**100.00**	**4,303,218**	**100.00**	**2,487,392**	**100.00**
109,248	10.15	54,515	6.78	91,336	12.83	240,636	16.33	151,875	7.91	171,022	13.26
17,737	3.44	54,189	10.98	30,259	13.47	8,446	3.12	117,672	9.38	38,622	8.21
126,985	**7.98**	**108,703**	**8.38**	**121,595**	**12.98**	**249,082**	**14.28**	**269,547**	**8.49**	**209,644**	**11.91**
203,670	30.98	146,053	29.35	188,405	31.03	237,640	33.63	200,395	26.77	158,022	29.37
107,690	51.39	67,104	41.32	27,489	26.26	162,808	45.62	136,696	45.67	67,468	38.73
2,034	15.08	(390)	(11.23)	1,312	22.02	72,798	28.58	7,887	10.32	(1,516)	(24.07)
8,239	64.10	4,159	72.27	789	5.48	43,052	43.48	2,800	91.09	3,864	43.01
448,618	**18.05**	**325,629**	**16.56**	**339,590**	**20.35**	**765,380**	**24.21**	**617,325**	**14.35**	**437,482**	**17.59**
40,185	1.62	29,738	1.51	27,428	1.64	58,482	1.85	49,086	1.14	42,134	1.69
4,061	0.16	3,434	0.17	2,976	0.18	11,396	0.36	11,059	0.26	3,106	0.12
14,466	0.58	10,776	0.55	9,773	0.59	21,562	0.68	24,097	0.56	13,500	0.54
18,052	0.73	10,847	0.55	4,286	0.26	23,305	0.74	28,102	0.65	7,900	0.32
76,764	**3.09**	**54,795**	**2.79**	**44,463**	**2.66**	**114,745**	**3.63**	**112,344**	**2.61**	**66,640**	**2.68**
40,828	1.64	30,773	1.57	30,202	1.81	73,270	2.32	73,481	1.71	45,163	1.82
37,620	1.51	27,772	1.41	38,356	2.30	61,642	1.95	42,959	1.00	37,515	1.51
19,376	0.78	14,619	0.74	19,875	1.19	39,609	1.25	25,504	0.59	20,688	0.83
34,739	1.40	26,661	1.36	34,032	2.04	57,679	1.82	55,854	1.30	27,335	1.10
8,476	0.34	7,156	0.36	7,948	0.48	9,919	0.31	7,787	0.18	8,004	0.32
7,265	0.29	6,213	0.32	6,669	0.40	9,527	0.30	13,182	0.31	8,802	0.35
14,929	0.60	12,500	0.64	13,348	0.80	16,089	0.51	15,932	0.37	11,971	0.48
6,775	0.27	7,976	0.41	7,034	0.42	15,109	0.48	12,899	0.30	8,965	0.36
19,493	0.78	12,405	0.63	16,490	0.99	31,541	1.00	35,736	0.83	33,580	1.35
2,307	0.09	3,218	0.16	2,075	0.12	7,442	0.24	1,932	0.04	2,671	0.11
42,189	1.70	29,223	1.49	33,427	2.00	77,486	2.45	18,220	0.42	23,202	0.93
1,004	0.04	508	0.03	613	0.04	1,450	0.05	1,730	0.04	1,235	0.05
15,353	0.62	15,064	0.77	19,301	1.16	33,422	1.06	11,536	0.27	13,579	0.55
1,832	0.07	3,272	0.17	6,062	0.36	6,014	0.19	3,517	0.08	3,985	0.16
32,010	1.29	12,448	0.63	11,318	0.68	27,431	0.87	22,123	0.51	8,441	0.34
8,227	0.33	5,719	0.29	8,302	0.50	19,624	0.62	18,379	0.43	18,728	0.75
5,750	0.23	4,150	0.21	500	0.03	5,128	0.16	9,963	0.23	3,135	0.13
1,645	0.07	2,207	0.11	1,578	0.09	2,635	0.08	1,045	0.02	872	0.04
376,582	**15.15**	**276,679**	**14.07**	**301,593**	**18.08**	**609,762**	**19.29**	**484,123**	**11.25**	**344,511**	**13.85**
72,036	**2.90**	**48,950**	**2.49**	**37,997**	**2.28**	**155,618**	**4.92**	**133,202**	**3.10**	**92,971**	**3.74**
53,511	**2.15**	**38,186**	**1.94**	**41,935**	**2.51**	**48,147**	**1.52**	**71,330**	**1.66**	**40,075**	**1.61**
125,547	**5.05**	**87,136**	**4.43**	**79,932**	**4.79**	**203,765**	**6.44**	**204,532**	**4.75**	**133,046**	**5.35**
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
66,688	4.26	58,948	6.41	218,291	17.39	101,221	5.16	66,373	2.67	38,741	2.74
190,337	12.17	90,825	9.88	135,644	10.80	257,674	13.14	138,814	5.59	159,910	11.29
8,427	0.54	8,657	0.94	74,617	5.94	5,980	0.30	33,623	1.35	10,798	0.76
265,452	**16.97**	**158,430**	**17.23**	**428,552**	**34.14**	**364,875**	**18.60**	**238,810**	**9.62**	**209,449**	**14.79**
570,267	36.47	302,024	32.84	381,743	30.41	945,095	48.18	1,225,044	49.36	621,548	43.89
293,055	18.74	133,848	14.55	64,743	5.16	105,645	5.39	454,727	18.32	214,027	15.11
263,734	18.14	162,838	17.71	194,038	15.46	261,358	13.32	332,832	13.41	165,009	11.65
4,121	0.26	6,877	0.75	9,860	0.79	66,027	3.37	26,506	1.07	10,020	0.71
2,318	0.15	8,442	0.92	21,030	1.68	16,531	0.84	5,718	0.23	609	0.04
1,153,495	**73.76**	**614,029**	**66.76**	**671,414**	**53.48**	**1,394,656**	**71.10**	**2,044,827**	**82.38**	**1,011,213**	**71.40**
1,418,947	**90.74**	**772,459**	**83.99**	**1,099,966**	**87.62**	**1,759,531**	**89.71**	**2,283,637**	**92.01**	**1,220,662**	**86.19**
109,244	6.99	127,520	13.87	154,397	12.30	140,086	7.14	183,024	7.37	166,348	11.75
35,637	2.28	19,716	2.14	1,040	0.08	61,840	3.15	15,407	0.62	29,197	2.06
1,563,828	**100.00**	**919,695**	**100.00**	**1,255,403**	**100.00**	**1,961,457**	**100.00**	**2,482,068**	**100.00**	**1,416,207**	**100.00**
169,027		52,639		44,379		164,646		163,516		71,699	
622,390		336,343		343,250		783,461		1,347,622		547,775	
63,393		47,326		66,028		55,522		121,561		86,500	
186,376		83,852		27,305		130,042		185,184		186,593	
1,041,986	**66.63**	**520,160**	**56.56**	**480,962**	**38.31**	**1,133,671**	**57.80**	**1,817,883**	**73.24**	**892,567**	**63.03**
521,842	33.37	399,535	43.44	774,441	61.69	827,786	42.20	664,185	26.76	523,640	36.97
1,563,828		**919,695**		**1,255,403**		**1,961,457**		**2,482,068**		**1,416,207**	

SUCCESSFUL DEALERS OF 1987

Agricultural Dealers
Employee and Service Data/Inventory Turns/Fixed Assets — By Region

	North-East	South-East	Corn Belt	Lake States
EMPLOYEE AND SERVICE SHOP DATA				
No. of Employees*	12.40	10.50	10.10	10.80
Sales per Employee	187,498	144,025	176,020	196,574
Assets per Employee	109,756	96,357	85,602	115,429
No. of Salesmen*	3.10	2.20	2.40	2.60
New & Used Sales per S/M	535,857	401,783	487,403	483,530
No. of Partsmen	2.10	2.10	1.70	1.70
Parts Sales per P/M	220,823	231,803	264,022	315,417
No. of Servicemen	4.90	4.30	4.60	4.70
Service Sales per Sv/M	37,416	23,740	32,135	45,073
No. of Office Employees	1.70	1.20	1.10	1.00
No. of Other Employees	0.60	0.70	0.30	0.80
Hourly Wage — Top Mech.	8.22	7.95	8.38	8.30
Hourly Wage — Regular Mech.	6.74	6.10	6.67	7.23
Hourly Customer Svc Rate	24.04	23.41	23.11	23.25
INVENTORIES — TIMES TURNOVER				
New Equipment	1.71	1.43	2.38	1.52
Used Equipment	3.04	2.57	2.60	2.50
Repair Parts	2.19	2.02	1.89	1.58
Other Lines	1.19	0.82	0.79	7.76
Rent/Lease Eqpt	0.85	0.14	0.20	7.22
Total Inventory	**1.94**	**1.65**	**2.25**	**1.77**
FIXED ASSETS**				
Land and Buildings	60,681	57,831	46,239	75,937
Leasehold Improvements	10,421	11,417	9,032	1.299
Shop and Office Eqpt	35,129	28,262	33,510	58.062
Furniture & Fixtures	26,476	35,890	20,807	27,542
Cars/Trucks/Vehicles	86,711	66,223	55,878	75,132
Reserve for Depreciation	140,162-	123,197-	103,184-	151,938-
Net Fixed Assets	**79,256**	**76,426**	**62,282**	**86,034**

*Includes Owners

**Values given for fixed assets are straight averages for all reporting dealers, including both real estate owners and renters. Since owners and renters are approximately equal in number, multiply all given values by two to state the real values of Land and Buildings of owners. For the same reason, multiply all given values of Leasehold Improvements by two to state the real values of those who rent their real estate.

FIG. 7
SUCCESSFUL DEALERS
Average Gross Margins
By Agricultural Region

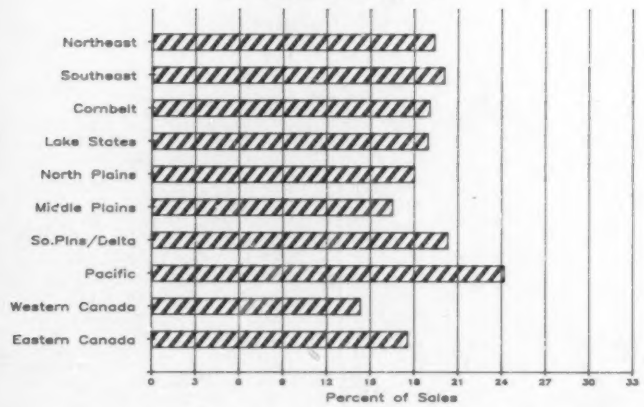
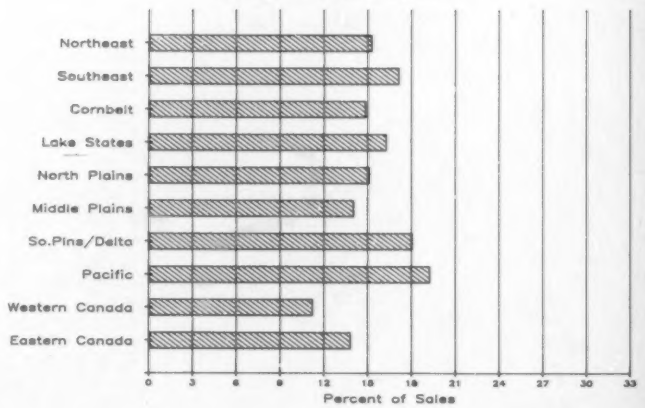


FIG. 8
SUCCESSFUL DEALERS
Average Expenses
By Agricultural Region



SUCCESSFUL DEALERS OF 1987

Northern Plains	Middle Plains	Southern Plains/Delta	Pacific	Western Canada	Eastern Canada
13.60	11.20	10.40	16.50	12.30	11.20
182,715	175,560	160,437	191,614	349,855	222,088
114,987	82,115	120,711	118,876	201,794	126,447
3.30	2.50	2.00	3.60	3.30	2.80
482,303	518,804	468,216	484,585	962,359	628,548
2.20	1.90	1.90	2.70	2.10	1.50
298,830	261,902	319,518	261,687	356,491	358,638
6.20	5.10	4.70	8.00	5.40	5.20
33,799	31,846	22,271	44,607	55,429	33,503
1.30	1.20	1.60	1.90	1.30	1.40
0.60	0.50	0.20	0.30	0.20	0.30
8.44	9.01	9.15	11.07	12.01	11.30
7.29	6.69	7.04	8.97	9.78	8.96
23.09	23.64	27.50	31.41	33.08	27.86
1.70	2.48	1.63	1.30	1.44	1.80
1.70	3.28	3.00	2.49	2.50	2.02
1.60	2.16	2.16	1.79	1.65	2.30
2.78	0.56	0.47	2.75	2.59	0.78
1.99	0.19	0.65	3.39	0.05	8.41
1.68	**2.52**	**1.87**	**1.58**	**1.72**	**1.92**
106,849	73,383	216,432	54,620	105,131	153,889
3,991	5,558	7,700	26,043	41,893	3,689
44,838	52,902	33,001	113,289	65,474	50,312
27,759	31,406	42,651	37,879	15,064	25,326
75,731	58,692	84,380	116,949	121,169	118,228
153,207-	141,196-	216,552-	254,798-	147,916-	173,752-
105,961	**80,745**	**167,612**	**93,982**	**200,815**	**177,652**

FIG. 9
SUCCESSFUL DEALERS
Average Net Profit
By Agricultural Region

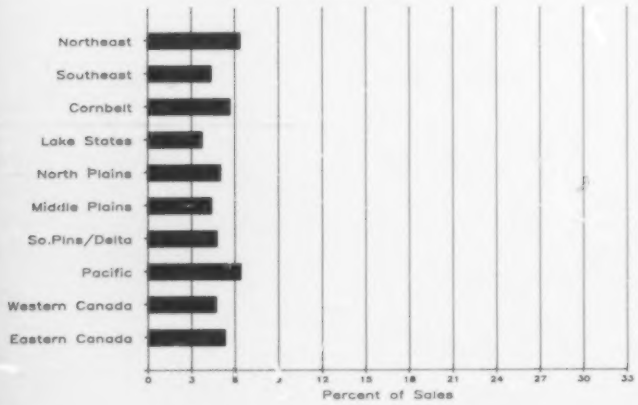
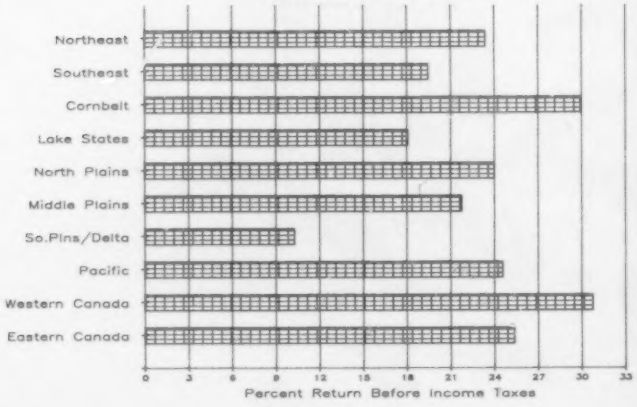


FIG. 10
SUCCESSFUL DEALERS
Average Return on Investment
By Agricultural Region



COMPARATIVE ANALYSIS FORM

	Amount	% Sales	Amount	% Sales
Sales:				
New Equipment	$		$	
Used Equipment				
Repair Parts				
Service Labor				
Other Lines				
Total Sales	$		$	
Cost of Sales:				
New Equipment	$		$	
Used Equipment				
Repair Parts				
Service Labor				
Other Lines				
Total Cost	$		$	
Margins:				
New Equipment	$		$	
Used Equipment				
Repair Parts				
Service Labor				
Other Lines				
Total Margin	$		$	
EXPENSES				
Selling Expenses:				
Salaries, Salesmen	$		$	
Travel and Training				
Advertising, Prom, Demos				
After Sales and Warr Exp				
TOTAL SELLING EXPENSE	$		$	
Salaries — Off/Owners				
Salaries — Partsmen				
Office and Other				
Rent or Occupancy				
Heat, Lt, Pwr, Water				
Telephone				
Office/Store Exp, Pstg				
Shop Suppl & Exp				
Car, Truck & Veh Exp				
Taxes — Except P/R & RE				
P/R Taxes & Empl Bene				
Dues and Publications				
Insurance — Except Grp & RE				
Legal and Auditing				
Interest Expense				
Deprec — Equip & Veh Only				
Bad Debts				
Contributions and Misc				
TOTAL EXPENSE	$		$	
NET PROFIT ON SALES	$		$	
Other Income/Deductions				
NET PROFIT/LOSS	$		$	

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 10, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

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